

Fairfax County Economic Index

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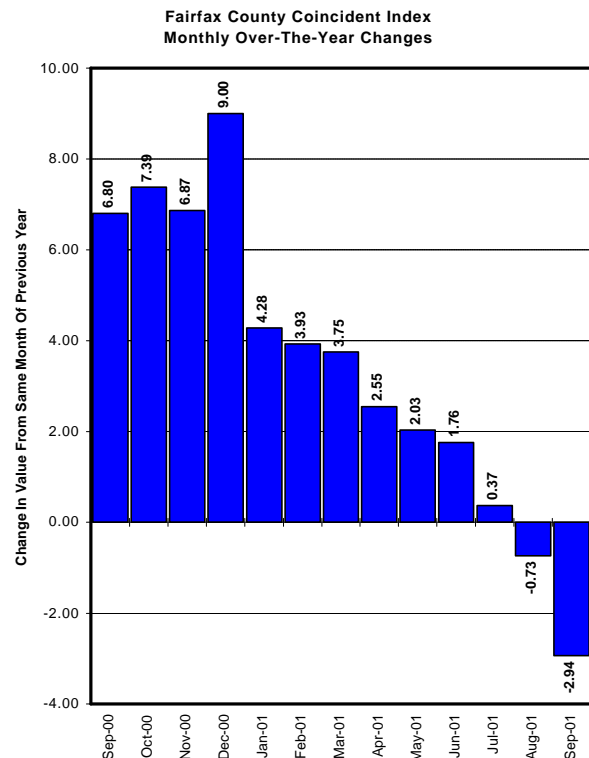
NOVEMBER 2001

Initial Impacts of September 11 Attack Drive Indicators Sharply Lower

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 126.48 in September for a decline of 0.97 percent. This decrease reflects the combined effects of the year's slowdown that has now been compounded by the impacts of the September 11 terrorist attack. With September's decrease, the Index has been negative for six consecutive months. Two of the Index's four components were negative in September.

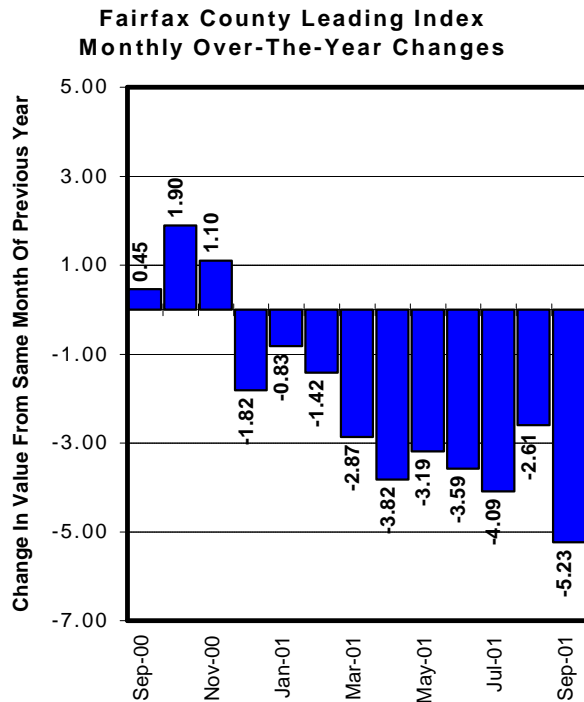
- Sales tax collections, adjusted for inflation and seasonal variation, decreased sharply following gains in July and August; and,
- Consumer confidence was down for the ninth time in ten months; while,
- Total employment was up in September although its growth rate slowed over the third quarter; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for the first time in eight months, although this increase may not capture the actual occupancy rates for the month due to reporting procedures.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, experienced its largest ever one-month decline in September, decreasing 2.06 percent to



Source: Center for Regional Analysis, George Mason University

101.09. Although the Leading Index had been trending lower since the beginning of the year, September's decrease can be largely attributed to the impact on the County's economy of the September 11 attack. In September, all five of the Index's components contributed to its negative performance.



Source: Center for Regional Analysis, George Mason University

- New automobile registrations decreased sharply following gains in July and August;
- Initial claims for unemployment insurance increased (worsened) for the second month in a row;
- Consumer expectations (consumer confidence six months hence) fell sharply in September after increasing in August;
- Residential building permits declined for the seventh time in eight months; and,
- The total value of residential building permits declined significantly.

The Fairfax County economy had been slowing down gradually prior to the September 11 attack and would have likely continued to slow had the attack not occurred. The impacts of the terrorist attack can be seen in both indices. The Coincident Index, measuring September's economic performance, accelerated its downward track and fell well below its historic trend line and now stands 2.3 percent below its level in September 2000. The Leading Index was driven to its lowest level in almost

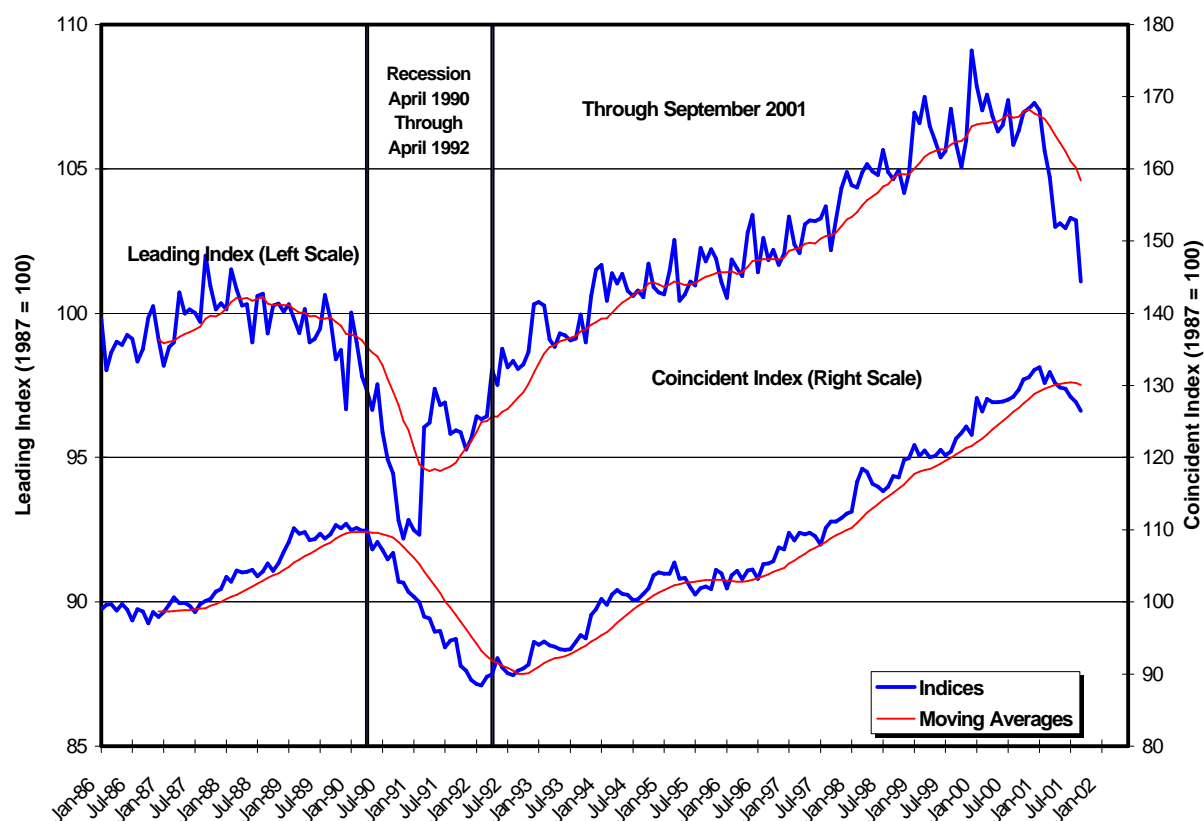
five years with the performance of every indicator being depressed by the shock of the attack. This month's indicators provide a good measure of the initial impacts of the terrorist attack on the County's economy but overstate the seriousness of the economy's present condition and near-term outlook. Furthermore, it is likely that October's data will show even greater levels of impact and will further distort the indicators' performances. Still, the impact of the terrorist attack will determine the economy's future rate of growth and should not be discounted.

CURRENT CONDITIONS

The terrorist attack on September 11 had an immediate and significant impact on the County's economy with the impact reflected broadly across its performance indicators. For the 12-month period ending in September, the County's economy generated only 12,072 net new jobs for a 2.2 percent gain, the slowest growth rate in more than five years. This is the first time this year that monthly over-the-year job growth fell below 5 percent. Unemployment, while still low, doubled from September 2000 to 2001, increasing from 1.1 percent to 2.2 percent. And, initial claims for unemployment insurance increased by 1,220 over the September 2000-2001 period for a gain of 288.4 percent. As these data show, the impacts of the terrorist attack can be seen in both a slowdown in hiring and an increase in unemployment.

Consumer spending, which had been a major source of the economy's growth prior to September, in spite of continuing erosion of confidence over the year, fell sharply in September as consumers lost interest in shopping and stayed away from the stores. With their confidence continuing to decline, shoppers cut back on non-necessity goods, as seen in the 23.9 percent decrease in new automobile sales and the 11.4 percent decline in sales tax receipts in the County between August and September. Both indicators in September fell below their respective levels in September 2000. The decline in consumer confidence may also help explain the substantial decrease in residential building permits. September's permits were down 20.1 percent from August and were 14.8 percent below their level in September 2000.

Business Cycle Indicators – Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

NEAR-TERM OUTLOOK

Whether September's slowdown in job generation and consumer spending is a one-month event tied to lost and deferred business immediately after September 11 will become more clear with the October data. Nevertheless, the County is healthier than its September performance indicates, although it is likely that it still would have continued its year long slowing trend in the absence of the attack. Still, the attack deepened the slowdown and is expected to lengthen its duration. In August, the Leading Index appeared to have stabilized with four consecutive months of minimal and off setting changes. Based on its apparent pattern, the County's economy was expected to begin accelerating during the second quarter of 2002 or by mid-year at the latest. With the Leading Index registering its largest ever one-month decline in

September and with the impacts of the terrorist attack continuing for several months, the Leading Index is now pointing to a longer slowdown and deferred acceleration.

Even with the economic consequences of the terrorist attack continuing to depress the County's economic activity through the fourth quarter, the economy is not expected to experience an overall contraction. Rather, the year's growth rate will be reduced from what it was projected to be earlier in the year but it will not be negative. Similarly, next year's economic performance should remain substantially positive. In fact, it may even exceed the rate projected prior to the attack as federal contracting and related business activities increase in response to the war on terrorism.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Sep-01 Prelim.	Aug-01 Final	Sep-00 Final	Aug-01 to Sep-01	Sep-00 to Sep-01
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	126.48	127.72	129.42	-0.97	-2.27
Leading Index (1987 = 100)	101.09	103.22	106.33	-2.06	-4.92
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	556,677	556,566	544,605	0.02	2.22
<i>Total Covered Employment (Unadjusted)</i>	<i>557,279</i>	<i>556,833</i>	<i>545,194</i>	<i>0.08</i>	<i>2.22</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	354	334	321	6.00	10.37
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>626</i>	<i>621</i>	<i>568</i>	<i>0.93</i>	<i>10.37</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,303	8,242	8,429	-11.39	-13.36
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,590</i>	<i>10,472</i>	<i>11,038</i>	<i>-8.42</i>	<i>-13.12</i>
South Atlantic Consumer Confidence	140.3	150.6	190.4	-6.84	-26.31
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,129	6,737	6,038	-23.88	-15.06
<i>Automobile Registrations (Unadjusted)</i>	<i>5,832</i>	<i>7,616</i>	<i>6,866</i>	<i>-23.42</i>	<i>-15.06</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,962	1,771	505	10.79	288.42
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,643</i>	<i>1,634</i>	<i>423</i>	<i>0.55</i>	<i>288.42</i>
South Atlantic Consumer Expectations	82.5	100.4	122.1	-17.83	-32.43
Residential Building Permits (Number of Units, Seasonally Adjusted)	263	329	309	-20.10	-14.80
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>282</i>	<i>370</i>	<i>331</i>	<i>-23.78</i>	<i>-14.80</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	21,260	27,486	25,044	-22.65	-15.11
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>33,993</i>	<i>49,900</i>	<i>40,044</i>	<i>-31.88</i>	<i>-15.11</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	596,582	593,179	569,736	0.57	4.71
<i>Total Labor Force (Unadjusted)</i>	<i>592,280</i>	<i>601,359</i>	<i>565,627</i>	<i>-1.51</i>	<i>4.71</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.18	2.12	1.08	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.39</i>	<i>2.18</i>	<i>1.42</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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